

**REPORT OF THE AUDIT OF THE
ROBERTSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administrative Cabinet
Honorable Billy R. Allison, Robertson County Judge/Executive
Members of the Robertson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities and each major fund of Robertson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP, evaluated Robertson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
ROBERTSON COUNTY FISCAL COURT

June 30, 2011

Tichenor & Associates, LLP has completed the audit of the Robertson County Fiscal Court for the fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities and each major fund of Robertson County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,388,898 as of June 30, 2011. The fiscal court had unrestricted net assets of \$659,914 in its governmental activities as of June 30, 2011. The fiscal court had total debt principal as of June 30, 2011 of \$3,035,000 with \$95,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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TICHENOR & ASSOCIATES, LLP
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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Billy R. Allison, Robertson County Judge/Executive

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Robertson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Robertson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Robertson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Robertson County, Kentucky, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Billy R. Allison, Robertson County Judge/Executive
Members of the Robertson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2012 on our consideration of Robertson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

January 31, 2012

ROBERTSON COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Billy R. Allison	County Judge/Executive
Melvin Whitaker	Magistrate
Terry Cracraft	Magistrate
Sue Conley	Magistrate
Ricky Myers	Magistrate
Troy Martin	Magistrate

Other Elected Officials:

Jesse Melcher	County Attorney
Eddie Jacobs	Jailer
Stephanie Bogucki	County Clerk
Martha Workman	Circuit Court Clerk
Randy B. Insko	Sheriff
Annette Lovins	Property Valuation Administrator
John Thompson	Coroner

Appointed Personnel:

James Thomas	County Treasurer
Melissa Barger	Finance Officer
David Carmack	Road Supervisor

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ROBERTSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

ROBERTSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 698,412
Total Current Assets	<u>698,412</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	123,500
Buildings	4,141,755
Vehicles	55,186
Machinery and Equipment	118,678
Infrastructure	<u>1,286,367</u>
Total Noncurrent Assets	<u>5,725,486</u>
Total Assets	<u>6,423,898</u>
LIABILITIES	
Current Liabilities:	
Bonds Payable	<u>95,000</u>
Total Current Liabilities	<u>95,000</u>
Noncurrent Liabilities:	
Bonds Payable	<u>2,940,000</u>
Total Noncurrent Liabilities	<u>2,940,000</u>
Total Liabilities	<u>3,035,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,690,486
Restricted For:	
Debt Service	19,083
State Grants	19,415
Unrestricted	<u>659,914</u>
Total Net Assets	<u>\$ 3,388,898</u>

The accompanying notes are an integral part of the financial statements.

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ROBERTSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

ROBERTSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 699,155	\$ 3,915	\$ 420,323	\$
Protection to Persons and Property	208,859	3,717	58,033	
General Health and Sanitation	8,725			
Social Services	7,630			
Recreation and Culture	18,333			
Roads	563,823	2,572	223,251	586,997
Interest on Long-term Debt	118,364			
Capital Projects	2,000			
Total Governmental Activities	\$ 1,626,889	\$ 10,204	\$ 701,607	\$ 586,997

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

 Total General Revenues

 Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ROBERTSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues
and Changes in Net Assets

Governmental
Activities

\$	(274,917)
	(147,109)
	(8,725)
	(7,630)
	(18,333)
	248,997
	(118,364)
	(2,000)
	<hr/>
	(328,081)
	<hr/>

	67,583
	886
	15,800
	149,987
	42,878
	18,726
	<hr/> 156,095
	<hr/> 451,955
	123,874
	<hr/> 3,265,024
	<hr/>
\$	<hr/> 3,388,898
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The accompanying notes are an integral part of the financial statements.

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ROBERTSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

ROBERTSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 171,065	\$ 507,572	\$ 692	\$ 19,083	\$ 698,412
Due From Other Funds		96,500			96,500
Total Assets	<u>171,065</u>	<u>604,072</u>	<u>692</u>	<u>19,083</u>	<u>794,912</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due To Other Funds	96,500				96,500
Total Liabilities	<u>96,500</u>				<u>96,500</u>
FUND BALANCES					
Restricted for:					
Debt Service				19,083	19,083
State Grants	13,486	5,929			19,415
Assigned to:					
Protection to Persons and Property			692		692
Roads		598,143			598,143
Unassigned	<u>61,079</u>				<u>61,079</u>
Total Fund Balances	<u>74,565</u>	<u>604,072</u>	<u>692</u>	<u>19,083</u>	<u>698,412</u>
Total Liabilities and Fund Balances	<u>\$ 171,065</u>	<u>\$ 604,072</u>	<u>\$ 692</u>	<u>\$ 19,083</u>	<u>\$ 794,912</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 698,412
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	8,701,512
Accumulated Depreciation	(2,976,026)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Bonds	<u>(3,035,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,388,898</u>

The accompanying notes are an integral part of the financial statements.

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ROBERTSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

ROBERTSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 233,470	\$	\$
Excess Fees	42,878		
Intergovernmental	214,878	810,248	58,165
Charges for Services	220		3,585
Miscellaneous	105,547	52,682	
Interest	3,687	15,039	
Total Revenues	<u>600,680</u>	<u>877,969</u>	<u>61,750</u>
EXPENDITURES			
General Government	499,715	18,000	
Protection to Persons and Property	49,588		70,058
General Health and Sanitation	8,725		
Recreation and Culture	12,006		
Roads		740,088	
Debt Service			
Administration	197,461	148,111	16,072
Total Expenditures	<u>767,495</u>	<u>906,199</u>	<u>86,130</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(166,815)</u>	<u>(28,230)</u>	<u>(24,380)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	131,092		889
Transfers To Other Funds	(889)	(131,092)	
Total Other Financing Sources (Uses)	<u>130,203</u>	<u>(131,092)</u>	<u>889</u>
Net Change in Fund Balances	(36,612)	(159,322)	(23,491)
Fund Balances - Beginning	111,177	763,394	24,183
Fund Balances - Ending	<u>\$ 74,565</u>	<u>\$ 604,072</u>	<u>\$ 692</u>

The accompanying notes are an integral part of the financial statements.

ROBERTSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Public Properties Corporation Fund	Total Governmental Funds
\$	\$ 233,470
	42,878
210,364	1,293,655
	3,805
	158,229
	18,726
<u>210,364</u>	<u>1,750,763</u>
	517,715
	119,646
	8,725
	12,006
	740,088
208,364	208,364
2,000	363,644
<u>210,364</u>	<u>1,970,188</u>
	(219,425)
	131,981
	<u>(131,981)</u>
	(219,425)
19,083	917,837
<u>\$ 19,083</u>	<u>\$ 698,412</u>

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

**ROBERTSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (219,425)
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Amounts reported for governmental activities in the Statement of Activities
Are Different Because Governmental Funds report Capital Outlays as
Expenditures. However, in the Statement of Activities the Cost of those Assets is
Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	460,367
Depreciation Expense	(207,068)

The Issuance of Long-term debt (e.g. Bonds, Leases) Provides Current
Financial Resources to Governmental funds, While the Repayment of Principal
on Long-term Debt Consumes the Current Financial Resources of Governmental
Funds. These Transactions, However, Have No Effect on Net Assets.

Bond Principal Payments	90,000
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Change in Net Assets of Governmental Activities	\$ 123,874
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ROBERTSON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Agency Fund	
	McDowell	Health
	Senior Citizens	Reimbursement
	Trust Fund	Account
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,486	\$ 33,994
Total Assets	2,486	33,994
Liabilities		
Amounts Held In Custody For Others	2,486	33,994
Total Liabilities	2,486	33,994
Net Assets		
Total Net Assets	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Robertson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Robertson County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Robertson County Public Properties Corporation

Robertson County Public Properties Corporation was created exclusively to issue bonds to finance construction of a new justice center in Robertson County, Kentucky. Robertson County Fiscal Court is essentially the same governing board as Robertson County Public Properties Corporation and therefore has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of Robertson County Public Properties Corporation.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Robertson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Robertson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Robertson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 31, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major. Robertson County reports only governmental funds.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state government and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Robertson County Public Properties Corporation Fund - This fund issued the debt for the construction of the Justice Center. This fund has receipts from Administrative Office of the Courts in the amount necessary to make the debt payments associated with the Justice Center.

The primary government has no non-major funds.

Special Revenue Funds:

The Road Fund and Jail Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

Robertson County Public Properties Corporation Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. Robertson County Public Properties Corporation issued debt to build the Justice Center. Robertson County Public Properties Corporation has entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

McDowell Senior Citizens Trust Fund - This private-purpose trust fund was established to benefit senior citizens in Robertson County.

Health Reimbursement Account - To account for county contributions for employee health insurance coverage.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings, vehicles, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 60
Machinery and Equipment	\$ 2,500	3 - 10
Vehicles	\$ 2,500	5
Infrastructure	\$ 20,000	10 - 50

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable.

Nonspendable include amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Robertson County Public Properties Corporation Fund (blended component unit) is not budgeted for by the County Treasurer. The Department for Local Government does not require the fiscal court to report or budget for this fund.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposit may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011 all deposits of the primary government and component unit were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Interfund Receivables, Payables, and Transfers

The fiscal court transferred restricted money in the amount of \$96,500 from the Road Fund to the General Fund during fiscal year ended June 30, 2009. As of June 30, 2011, the General Fund still owes the Road Fund \$96,500.

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2011.

	Transfers Out	
	General Fund	Road Fund
Transfers In		
General Fund	\$	\$ 131,092
Jail Fund	889	
Total Transfers Out	\$ 889	\$ 131,092

Reasons for transfers:

- 1) To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.
- 2) To move resources to the General Fund for Road Fund related administrative expenditures.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 123,500	\$	\$	\$ 123,500
Total Capital Assets Not Being Depreciated	123,500			123,500
Capital Assets, Being Depreciated:				
Buildings	5,692,719			5,692,719
Vehicles	334,717	11,995		346,712
Machinery and Equipment	492,741	45,335		538,076
Infrastructure	1,597,468	403,037		2,000,505
Total Capital Assets Being Depreciated	8,117,645	460,367		8,578,012
Less Accumulated Depreciation For:				
Buildings	(1,462,732)	(88,232)		(1,550,964)
Vehicles	(269,773)	(21,753)		(291,526)
Machinery and Equipment	(401,608)	(17,790)		(419,398)
Infrastructure	(634,845)	(79,293)		(714,138)
Total Accumulated Depreciation	(2,768,958)	(207,068)		(2,976,026)
Total Capital Assets, Being Depreciated, Net	5,348,687	253,299		5,601,986
Governmental Activities Capital Assets, Net	\$ 5,472,187	\$ 253,299	\$	\$ 5,725,486

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 7,179
Protection to Persons and Property	85,136
Social Services	7,630
Recreation and Culture	6,327
Roads, Including Depreciation of General Infrastructure Assets	<u>100,796</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 207,068</u>

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt

First Mortgage Revenue Bonds, Series 2008

On April 1, 2008, Robertson County Public Properties Corporation issues \$3,305,000 in First Mortgage Revenue Bonds, Series 2008. The bonds were issued for the purpose of providing permanent financing for the construction of the Robertson County Justice Center. Interest on the bonds is payable semi-annually on March 1 and September 1, beginning September 1, 2008. Principal payments are payable annually commencing March 1, 2009. Robertson County Fiscal Court entered into a lease agreement with Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding as of June 30, 2011 was \$3,035,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 95,000	\$ 115,664
2013	95,000	112,814
2014	100,000	109,964
2015	100,000	106,714
2016	105,000	103,216
2017-2021	585,000	456,400
2022-2026	700,000	336,500
2027-2031	860,000	184,800
2032-2033	395,000	23,800
Totals	<u>\$ 3,035,000</u>	<u>\$ 1,549,872</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 3,125,000	\$	\$ 90,000	\$ 3,035,000	\$ 95,000
Governmental Activities					
Long-term Liabilities	<u>\$ 3,125,000</u>	<u>\$ 0</u>	<u>\$ 90,000</u>	<u>\$ 3,035,000</u>	<u>\$ 95,000</u>

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$62,429, FY 2010 was \$68,166, and FY 2011 was \$74,596.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Deferred Compensation

The Robertson County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2011, Robertson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Related Party Transactions

Magistrate Terry Cracraft is president of Dee Jay Auto Parts, II, Inc., located in Mt. Olivet, Kentucky. The fiscal court occasionally purchases auto parts from Dee Jay Auto Parts, II, Inc. The total spent during fiscal year 2011 was \$5,787.

Note 10. Health Reimbursement Account

All Robertson County employees who meet the requirements of the Personnel Policy for eligibility for health insurance as provided by Robertson County Fiscal Court have the option to waive their right to health insurance and participate in a health reimbursement account. For the fiscal year ended June 30, 2011, the fiscal court provided \$600 monthly to each employee participating in the health reimbursement account.

Note 11. Change in Accounting Principles

The Robertson County Fiscal Court implemented a new accounting principle standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds.

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ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 236,300	\$ 236,300	\$ 233,470	\$ (2,830)
Excess Fees	11,000	11,000	42,878	31,878
Intergovernmental Revenue	268,690	268,690	214,878	(53,812)
Charges for Services	500	500	220	(280)
Miscellaneous	87,600	87,600	105,547	17,947
Interest	6,000	6,000	3,687	(2,313)
Total Revenues	610,090	610,090	600,680	(9,410)
EXPENDITURES				
General Government	541,730	568,037	499,715	68,322
Protection to Persons and Property	70,640	71,650	49,588	22,062
General Health and Sanitation	6,300	9,050	8,725	325
Social Services	1,000	1,000		1,000
Recreation and Culture	15,000	15,000	12,006	2,994
Capital Projects	4,900	4,900		4,900
Administration	276,612	246,545	197,461	49,084
Total Expenditures	916,182	916,182	767,495	148,687
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(306,092)	(306,092)	(166,815)	139,277
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(25,000)	(25,000)	(889)	24,111
Transfers From Other Funds	131,092	131,092	131,092	
Total Other Financing Sources (Uses)	106,092	106,092	130,203	24,111
Net Changes in Fund Balance	(200,000)	(200,000)	(36,612)	163,388
Fund Balance - Beginning	200,000	200,000	207,677	7,677
Fund Balance - Ending	\$ 0	\$ 0	\$ 171,065	\$ 171,065

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 171,065
Excess Transfers From Road Fund recorded as Liability - Due to Other Funds	(96,500)
Fund Balance - Ending	\$ 74,565

ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 552,493	\$ 552,493	\$ 810,248	\$ 257,755
Miscellaneous	8,000	8,000	52,682	44,682
Interest	24,000	24,000	15,039	(8,961)
Total Revenues	584,493	584,493	877,969	293,476
EXPENDITURES				
General Government	18,000	18,000	18,000	
Roads	664,189	881,189	740,088	141,101
Administration	446,212	229,212	148,111	81,101
Total Expenditures	1,128,401	1,128,401	906,199	222,202
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(543,908)	(543,908)	(28,230)	515,678
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(131,092)	(131,092)	(131,092)	
Total Other Financing Sources (Uses)	(131,092)	(131,092)	(131,092)	
Net Changes in Fund Balance	(675,000)	(675,000)	(159,322)	515,678
Fund Balance - Beginning	675,000	675,000	666,894	(8,106)
Fund Balance - Ending	\$ 0	\$ 0	\$ 507,572	\$ 507,572

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 507,572
Excess Transfers From Road Fund recorded as Asset - Due From Other Funds	96,500
Fund Balance - Ending	<u>\$ 604,072</u>

ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 68,350	\$ 68,350	\$ 58,165	\$ (10,185)
Charges for Services	3,500	3,500	3,585	85
Miscellaneous	1,000	1,000		(1,000)
Total Revenues	72,850	72,850	61,750	(11,100)
EXPENDITURES				
Protection to Persons and Property	59,980	71,084	70,058	1,026
Administration	52,870	41,766	16,072	25,694
Total Expenditures	112,850	112,850	86,130	26,720
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(40,000)	(40,000)	(24,380)	15,620
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	25,000	25,000	889	(24,111)
Total Other Financing Sources (Uses)	25,000	25,000	889	(24,111)
Net Changes in Fund Balance	(15,000)	(15,000)	(23,491)	(8,491)
Fund Balance - Beginning	15,000	15,000	24,183	9,183
Fund Balance - Ending	\$ 0	\$ 0	\$ 692	\$ 692

ROBERTSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
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E-MAIL: wtichenor@tichenorassociates.com

The Honorable Billy R. Allison, Robertson County Judge/Executive
Members of the Robertson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, and each major fund of Robertson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 31, 2012. Robertson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Robertson County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Robertson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Robertson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Robertson County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

January 31, 2012

